

The complaint

Mr H complains Fairscore Ltd, trading as Updraft (“Updraft”), failed to carry out a proportionate affordability assessment before it lent to him. Mr H has also complained about the service he received when he tried to set up repayment arrangements with Updraft.

What happened

A summary of Mr H’s borrowing can be found in the table below.

Loan number	Application date	Loan amount	APR	Number of monthly repayments	Monthly cost
1	06/03/2023	£8,000	19.9%	60	£210.30
2	30/10/2023	£7,000	23.9%	60	£200.97
3	23/03/2024	£11,200	24.9%	60	£328.08

As of December 2024, an outstanding balance remains due for loans 1 and 2. Loan 3 was withdrawn by Mr H at no cost to him.

Following Mr H’s complaint Updraft explained in its first final response letter the checks it had carried out and why it didn’t consider it had made an error by approving the loans. Later, it sent a second final response solely dealing with the service issues – and Updraft upheld his complaint about these – and it offered a payment of £250 to cover the distress and inconvenience.

Unhappy with this response, Mr H referred the complaint to the Financial Ombudsman where it was reviewed by an Investigator. However, Mr H confirmed that he was satisfied the complaint about loan 3, given it was withdrawn and the service issues had been resolved. The Investigator therefore focused her assessment on loans one and two and the Investigator upheld the complaint about loan two only.

Updraft agreed to the outcome reached by the Investigator. However, Mr H disagreed with the assessment reached about loan one, and I’ve summarised his responses below.

- Due to his high credit to income ratio, Updraft ought to have looked more closely at this lending decision.
- Mr H’s income wasn’t as high as Updraft calculated – and Updraft knew this because it had Open banking access to his joint account which also showed his husbands salary being paid into (from the same employer). Mr H’s more recent salary payment was £2,800 – significantly less than what Updraft calculated and his salary had been impacted by ongoing strike action within his employment sector.
- Instead of relying on statistical data to work out Mr H’s income Updraft could’ve just asked for a pay slip.
- Mr H provided details of his personal situation and what he was going through at the time, I’ve not said any more about this to protect Mr H’s privacy.

These comments didn't change the Investigator's mind about the outcome they had reached and so the case has been passed to me to resolve.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. And I've used this approach to help me decide Mr H's complaint. Having carefully considered everything I've decided to partly uphold Mr H's complaint in part. I'll explain why in a little more detail.

Updraft needed to make sure it didn't lend irresponsibly. In practice, what this means it needed to carry out proportionate checks to be able to understand whether Mr H could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done if, for example, a borrower's income was low, or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr H's complaint. Having looked at everything I have decided to partly uphold Mr H's complaint, and I've explained why below.

I won't be making a finding about loan 2, in this decision, purely because this loan was upheld, and both Mr H and Updraft accepted the findings the Investigator reached. While, I've not made a finding about the second loan, I have included what Updraft needs to do in order to put things right for Mr H at the end of the decision.

I'm sorry to hear of the personal difficulties Mr H experienced at the time he took these loans, I do hope things have improved for him and he's been able to access the help and support he may need.

Loan 1

Updraft carried out an affordability assessment and creditworthiness check when Mr H applied for his loan, and I've reviewed the information it relied on when making its lending decision. Having done so, for much the same reasons as those reached by the Investigator I am not upholding Mr H's complaint about this loan.

Updraft asked Mr H for his annual income, and he declared this to be £64,000 per year. Updraft didn't just accept what Mr H had told it. It used a number of methods to check the accuracy of his income.

One method was the use of an Open banking report – which I'll come on to below, which indicated an income of just over £3,200 per month. Whereas other checks it carried out,

such as account turnover, as well as a tool provided by credit reference agency suggested that perhaps Mr H's income may have been greater than the amount indicated from the Open banking report. However, to err on the side of caution Updraft used the smallest of these figures – which was a reasonable approach.

I've thought about what Mr H has said that Updraft ought to have asked for a payslip given the concerns it had about the accuracy of the data it was provided. But, given the annual income Mr H declared to Updraft, and it used the smallest of the income figures it received, as well as this being a first loan, has led me to conclude the checks carried out by Updraft into Mr H's income were proportionate and reasonable.

I would also add that the regulations in CONC 5.2A.15(2) say reasonable attempts need to be made to determine the income, and I'm satisfied in the circumstances that Updraft did do this.

Updraft also carried out a credit search and it's provided a copy of the results that it received. Firstly, it was able to establish that Mr H's existing monthly credit commitments came to £1,471 – against outstanding debt of just under £37,000.

The rest of the credit check results didn't suggest that Mr H was struggling to repay his existing debt. There were no missed payments, defaults or any other signs of insolvency. But I do acknowledge this loan would've superficially increased Mr H's total indebtedness.

However, Mr H had also told Updraft that the loan would be used to repay credit cards and it was reasonable for Updraft to believe Mr H would use the loan for the intended purpose. The loan also gave Mr H a defined repayment term – meaning that by the end of the loan term he wouldn't owe Updraft any more money. Whereas, with credit card payments, these can continue for some time because there is no defined repayment term by which a balance has to be repaid in.

Updraft then asked Mr H about his outgoings, and it used Office of National Statistics data to work out his likely monthly living costs. Mr H declared his living costs were £207 but this was lower than the ONS figures, so Updraft increased these cost to bring them in line with the ONS data of £631.

It also used housing costs of £552 and the credit search indicated Mr H's existing credit commitments came to just under £1,500 per month. The results of this check left Mr H with around £560 per month in disposable income to afford the repayment – the loan looked affordable.

The regulations allow lenders to use statistical data to help with working out what a consumer's likely monthly living costs may be. I've not seen anything in the information Updraft received from Mr H, or from the credit reference agency, to suggest it wasn't reasonable to use these here.

However, Updraft has confirmed in the final response letter that as part of the application process Mr H's bank account was linked, to Open Banking. Updraft has supplied a copy of the report that it received and so I've taken a look at it to see whether there were any signs that Mr H was having or likely having financial difficulties at the time the loan was granted.

Mr H had said the bank account Updraft had access to was joint, and I can see from the report provided that there are two incomes being received. But given the information Updraft has provided with what it saw in the open banking report I haven't seen enough to make me think that it would've needed to have carried out further checks or to have declined Mr H's application. As far as I can see there was no evidence or returned direct debit

payments, gambling or anything else to suggest that Mr H was reliant on credit or having financial difficulties.

Overall, based on what I've seen I'm not upholding Mr H's complaint about loan one because I'm satisfied Updraft conducted proportionate checks which showed Mr H would be in a position to afford this loan. I am therefore not upholding the complaint.

However, as I said earlier on in the decision, loan two has been upheld and neither party has disagreed with that. So, I've set out below what Updraft needs to do in order to put things right for Mr H.

Finally, I've also considered whether Updraft has acted unfairly or unreasonably in any other way as well as considering whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr H in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Having thought about everything, Updraft shouldn't have provided loan two to Mr H and to put things right it should do the following;

- Updraft should remove all interest, fees and charges applied to Mr H's loan from the outset. The payments Mr H made to Updraft should be deducted from the new starting balance – the £7,000.00 originally lent. If Mr H has already paid Updraft more than £7,000.00 then it should treat any extra as overpayments. And any overpayments should be refunded to Mr H;
- Updraft should add interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr H to the date of settlement†
- However, if an outstanding balance still remains due Updraft should, if needed come to a mutually agreeable way forward to repay the outstanding capital.
- If no outstanding balance remains after all adjustments have been made, any adverse information Updraft has recorded about this loan should be removed from Mr H's credit file.

† HM Revenue & Customs requires Updraft to take off tax from this interest. Updraft must give Mr H a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've outlined above, I am upholding Mr H's complaint in part.

Fairscore Ltd trading as Updraft should put things right for Mr H as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 31 July 2025.

Robert Walker
Ombudsman